

SEC. 1115. TREATMENT OF DUES PAID TO AGRICULTURAL OR HORTICULTURAL ORGANIZATIONS.

(a) GENERAL RULE.—Section 512 (defining unrelated business taxable income) is amended by adding at the end the following new subsection:

"(d) TREATMENT OF DUES OF AGRICULTURAL OR HORTICULTURAL ORGANIZATIONS.—

"(1) IN GENERAL.—If—

"(A) an agricultural or horticultural organization described in section 501(c)(5) requires annual dues to be paid in order to be a member of such organization, and

"(B) the amount of such required annual dues does not exceed \$100.

in no event shall any portion of such dues be treated as derived by such organization from an unrelated trade or business by reason of any benefits or privileges to which members of such organization are entitled.

"(2) INDEXATION OF \$100 AMOUNT.—In the case of any taxable year beginning in a calendar year after 1995, the \$100 amount in paragraph (1) shall be increased by an amount equal to—

"(A) \$100, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting "calendar year 1994" for "calendar year 1992" in subparagraph (B) thereof.

"(3) DUES.—For purposes of this subsection, the term "dues" means any payment (whether or not designated as dues) which

is required to be made in order to be recognized by the organization as a member of the organization."

(h) EFFECTIVE DATES.—26 USC 512 note.

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after December 31, 1986.

(2) TRANSITIONAL RULE.—If—

(1) for purposes of applying part III of subchapter F of chapter 1 of the Internal Revenue Code of 1986 to any taxable year beginning before January 1, 1987, an agricultural or horticultural organization did not treat any portion of membership dues received by it as income derived in an unrelated trade or business, and

(2) such organization had a reasonable basis for not treating such dues as income derived in an unrelated trade or business.

then, for purposes of applying such part III to any such taxable year, in no event shall any portion of such dues be treated as derived in an unrelated trade or business.

(3) REASONABLE BASIS.—For purposes of paragraph (2), an organization shall be treated as having a reasonable basis

for not treating membership dues as income derived in an unrelated trade or business if the taxpayer's treatment of such

dues was in reasonable reliance on any of the following:

(3) Judicial precedent, published rulings, technical advice with respect to the organization, or a letter ruling to the organization.

(4) A past Internal Revenue Service audit of the organization in which there was no assessment attributable